

It seems that the central question regarding the XM and Sirius merger is whether the merge would result in a monopoly (merger to monopoly). In order to achieve a monopoly, we would have to come to the conclusion that such a merger would result in market power. A clear indicator of market power is inelasticity of demand, or the ability to raise prices as a result of the merger.

I believe that a thorough analysis will prove that this merger does not indicate market power, and even provides a basis for the market definition to include terrestrial and internet radio services.

Currently, subscribers to XM or Sirius radio do so as an alternative to terrestrial radio when used in automobiles. The fact that these subscriptions are an *alternative*, and not the only option available to new car buyers, is evidence that satellite radio and terrestrial radio are direct competitors. As this is the case, the quality and cost of satellite radio is directly tied to the degree at which satellite radio can outperform terrestrial radio (people generally will not pay for a service that they do not consider to be better than a free service).

In the future, it is possible that satellite radio, even if controlled by one company, will become the overwhelmingly popular form of radio service to the public. History shows that cable television has grown considerably, even in the face of free network signals via analog antennas. However, the availability of free terrestrial, and possibly internet radio (which may become more widespread in the future), will act as a check against market power being realized by any satellite merger. Should cost become too exorbitant, people will terminate satellite services in favor of free, or lower cost radio.

Accordingly, it is clear that the market is narrowly defined as including satellite, terrestrial, and internet radio (and possibly other forms of mass communication). Allowing this merger will, in fact, promote competition among the different forms of communication by ensuring a strong competitor in the satellite sector rather than either two declining companies or the likely failure of both XM and Sirius.

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